



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 21, 2000

### **H.R. 4865** **Social Security Benefits Tax Relief Act of 2000**

*As ordered reported by the House Committee on Ways and Means on July 19, 2000*

#### **SUMMARY**

Under current law, up to 50 percent of Social Security and Railroad Retirement benefits are subject to taxation in the case of married taxpayers filing a joint return with certain income above \$32,000 (or \$25,000 for single taxpayers). Up to 85 percent of benefits received by married taxpayers filing a joint return with certain income exceeding \$44,000 (or \$34,000 for single taxpayers) are subject to taxation. H.R. 4865 would repeal the 85-percent (second tier) taxation of Social Security and Railroad Retirement benefits, thereby reducing the proportion of benefits subject to taxation at all incomes above \$32,000 for married taxpayers filing a joint return and above \$25,000 for single taxpayers. In addition, the bill provides appropriations from the general fund to the Hospital Insurance Trust Fund to replace lost revenues. The bill would take effect in the first taxable year after December 31, 2000.

The Joint Committee on Taxation (JCT) estimates that this bill would reduce governmental receipts (revenues) from personal income taxes by \$4 billion in fiscal year 2001, \$45 billion over the 2001-2005 period, and \$117 billion over the 2001-2010 period. Because the bill would affect governmental receipts, pay-as-you-go procedures would apply.

H.R. 4865 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4865 is shown in the following table.

	By Fiscal Year, in Millions of Dollars				
	2001	2002	2003	2004	2005
<b>CHANGES IN REVENUES</b>					
Estimated Revenues	-3,584	-9,149	-9,816	-10,609	-11,499

## BASIS OF ESTIMATE

All estimates were provided by JCT. Under current law, the revenues affected by the bill are credited to Medicare's Hospital Insurance Trust Fund. The bill would maintain those intragovernmental transfers, which would have no net effect on the budget.

## PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays											
Changes in receipts	0	-3,584	-9,149	-9,816	-10,609	-11,499	-12,433	-13,397	-14,445	-15,590	-16,286

## INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has determined that H.R. 4865 contains no intergovernmental or private-sector mandates as defined in UMRA.

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